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Mortgage Rates Are Great, But They Could Be Greater

The world of mortgage rate analysis is **both simple and complicated**. On a simple note, rates are **near long-term lows** and they'll generally continue to follow the broader market for interest rates (which is largely based on US Treasuries, domestically). On the more complex note, mortgage rates aren't directly tied to Treasuries, don't move frequently throughout the day, and can vary from lender to lender. Due to those 3 factors, we get days like today where 10yr yields are down significantly (normally a good indication that mortgage rates will be down), yet some lenders are actually offering somewhat higher rates compared to last Friday! What's up with that?

Generally speaking, the lenders who are worse off today are those who were more **aggressively** priced on Friday. Compare today to last Wednesday, and most lenders have dropped by a similar amount. Even then, the average lender is just slightly lower in rate today, which means we're still operating on the edge of the lowest levels in more than a year.

The **biggest issue**--and the one that's most difficult to explain in simple terms--is that mortgages have not been doing a good job of keeping pace with Treasury yields lately. This has happened for a variety of reasons. If we could only discuss one overarching reason, it would be that mortgages are based on different bonds than Treasuries. Although their supply/demand characteristics are usually almost perfectly similar, there are times when that correlation breaks down due to the unique underlying investments (i.e. one is US government debt and the other is consumer mortgage debt that's merely guaranteed to be repaid by the US government). Notably, there has been increasing chatter regarding the re-privatization of Fannie Mae and Freddie Mac. If that happens, the aforementioned government guarantee would no longer be in place. This alone could explain some of the drift seen in mortgages vs Treasuries lately.

Zooming back out to the more simple point of view, suffice it to say that both mortgages and Treasury yields are as low as they have been any time recently, and that a big move higher in one will likely coincide with a big move higher in the other. Mortgage rates have a **bit of an advantage** there. Since they've seen fewer gains on the way down, they have less to lose on the way up.

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National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.28%	-0.09	0.00
15 Yr. Fixed	6.75%	-0.07	0.00
30 Yr. FHA	6.70%	-0.12	0.00
30 Yr. Jumbo	7.48%	-0.07	0.00
5/1 ARM	7.35%	-0.07	0.00
Freddie Mac			
30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/3

MBS and Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.09	+0.31
MBS GNMA 6.0	101.03	+0.29
10 YR Treasury	4.5138	-0.0657
30 YR Treasury	4.6711	-0.0579

Pricing as of: 5/3 5:04PM EST

Responsive service, experienced expertise

I've dedicated my 22 year mortgage career to client education, superior service, and honest answers. The lending landscape has changed dramatically the past few years, and continues to do so. My job is to ensure client partners' loans close quickly, without surprises, and I take that responsibility very seriously. Referrals are a responsibility I appreciate; they're a measure of trust, and that trust must be earned every day, on every referral.

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